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## BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION  
OF PAYSON WATER CO., INC., AN  
ARIZONA CORPORATION, FOR A  
DETERMINATION OF THE FAIR VALUE  
OF ITS UTILITY PLANTS AND  
PROPERTY AND FOR INCREASES IN ITS  
WATER RATES AND CHARGES FOR  
UTILITY SERVICE BASED THEREON.

DOCKET NO: W-03514A-13-0111  
Arizona Corporation Commission

DOCKETED

MAR 04 2014

DOCKETED BY

DOCKET NO: W-03514A-13-0142

ORIGINAL

IN THE MATTER OF THE APPLICATION  
OF PAYSON WATER CO., INC., AN  
ARIZONA CORPORATION, FOR  
AUTHORITY TO: (1) ISSUE EVIDENCE  
OF INDEBTEDNESS IN AN AMOUNT  
NOT TO EXCEED \$1,238,000 IN  
CONNECTION WITH INFRASTRUCTURE  
IMPROVEMENTS TO THE UTILITY  
SYSTEM; AND (2) ENCUMBER REAL  
PROPERTY AND PLANT AS SECURITY  
FOR SUCH INDEBTEDNESS.

NOTICE OF COMPLIANCE WITH  
DECISION NO. 74175

Pursuant to Decision No. 74175 (October 25, 2013), Payson Water Co., Inc. (the "Company") hereby submits this Notice of Compliance in the above-referenced consolidated dockets. In Decision No. 74175, the Company was authorized to implement a surcharge mechanism for its Mesa del Caballo system to calculate the additional revenue needed to meet its principal, interest, debt reserve, and tax obligations on its loan through the Water Infrastructure Finance Authority of Arizona ("WIFA"). The Company was also directed to make a surcharge filing within 15 days of the loan closing. The surcharge will apply only to customers of the Mesa del Caballo system and is calculated based upon the amount of the WIFA loan and number of customers in the Mesa del Caballo system.

1 The loan closed on February 19, 2014. As reflected in Exhibit A, the annual  
2 Debt Service Revenue Requirement is \$29,720, resulting in a monthly surcharge of \$6.76  
3 which amount will be added to the bill of every Mesa del Caballo customer.  
4 The surcharge amount will be trued up annually.

5 RESPECTFULLY SUBMITTED this 4th day of March, 2014.

6 FENNEMORE CRAIG, P.C.

7  
8 By 

9 Jay L. Shapiro  
10 2394 E. Camelback Road  
11 Suite 600  
Phoenix, Arizona 85016  
Attorneys for Payson Water Co., Inc.

12 **ORIGINAL** and thirteen (13) copies  
13 of the foregoing were filed  
this 4th day of March, 2014, with:

14 Docket Control  
15 Arizona Corporation Commission  
1200 W. Washington Street  
16 Phoenix, AZ 85007

17 **COPY** of the foregoing was hand-delivered  
this 4th day of March, 2014, to:

18 Dwight D. Nodes  
19 Assistant Chief Administrative Law Judge  
Arizona Corporation Commission  
1200 W. Washington Street  
20 Phoenix, AZ 85007

21 Robin Mitchell, Esq.  
22 Legal Division  
Arizona Corporation Commission  
1200 W. Washington Street  
23 Phoenix, AZ 85007

1 **COPY** of the foregoing was e-mailed/mailed  
2 this 4th day of March, 2014, to:

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# EXHIBIT A

Payson Water Company  
WIFA Loan Surcharge Calculation  
Computation

Exhibit

**WIFA Loan Terms**

[1] Loan Principal	\$	275,000
[2] Interest Rate (annual)		4.20%
[3] Term (in years)		20

**STEP 1 - Find the Annual Payment on Loan**

[4] Annual Payment Conversion Factor		0.0749
[5] Annual Loan Payment [1] x [4]	\$	20,598

**STEP 2 - Find the Annual Interest Payment on Loan**

[6] Annual Principal Conversion Factor		0.0420
[7] Annual Principal Payment [1] x [6]	\$	11,550

**STEP 3 - Find the Annual Principal Payment on Loan**

[8] Annual Principal Conversion Factor		0.032891
[9] Annual Principal Payment [1] x [8]	\$	9,045

**STEP 4 - Find the Gross Revenue Conversion Factor**

[10] Gross Revenue Conversion Factor		1.5535
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**STEP 5 - Find the Incremental Tax Factor**

[11] Incremental Tax Factor [10] - 1		0.5535
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**STEP 6 - Find the Annual Income Tax Component of Surcharge Revenue**

[12] Annual Income Tax Component [11] x [9]	\$	5,006
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**STEP 7 - Find the Debt Service Component of the Annual Surcharge Revenue**

[13] Annual Surcharge Revenue Requirement for the Loan [7] + [9]	\$	20,595
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**STEP 8 - Find the Ann Debt Reserve Fund Deposit**

[14] Annau Reserve Fund Deposit [13] x 20%	\$	4,119
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**STEP 9 - Find the Annual Surcharge Revenue Requirement Needed for the Loan Including Reserve fund**

[15] Annual Surcharge Revenue Requirement [12] + [13] + [14]	\$	29,720
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**STEP 10 - Find the Equivalent Bills**

[16] Number of Current Customers		366
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**Computation of Equivalent 5/8x3/4 Inch Meters**

Col A	Col B	Col C	Col D	Col E
	NARUC Flow Factor	2013 Year-end Customers Mesa Del Caballo	Number of Months in Year	Equivalent Bills Col B x C x D
Meter Size				
5/8x3/4 Inch	1.0	365	12.0	4,380
3/4 Inch	1.5	1	12.0	18
1 Inch	2.5	-	12.0	-
1 1/2 Inch	5.0	-	12.0	-
2 Inch	8.0	-	12.0	-
3 Inch	16.0	-	12.0	-
4 Inch	25.0	-	12.0	-
6 Inch	50.0	-	12.0	-
8 Inch	80.0	-	12.0	-
10 Inch	115.0	-	12.0	-
12 Inch	215.0	-	12.0	-
Totals		366		4,398

[17] Total Equivalent 5/8 Inch Meters		4,398
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**STEP 11 - Find the Monthly Surcharge for the 5/8x3/4 inch Meter Size Customers**

[18] Annual Debt Service Revenue Requirement = [15]	\$	29,720
[19] Annual Debt Recovery Surcharge for Equivalent 5/8 Inch Metered Customer [18] / [17]	\$	6.76

**STEP 12 - Find the Monthly Surcharge for the Remaining Meter Size Customers**

Col A	Col B	Col C	Col D
	NARUC Flow Factor	5/8x3/4" Customers' Surcharge	Surcharge by Meter Size Col B x C
Meter Size			
5/8x3/4 Inch	1.0	\$ 6.76	\$ 6.76
3/4 Inch	1.5	\$ 6.76	\$ 10.14
1 Inch	2.5	\$ 6.76	\$ 16.89
1 1/2 Inch	5.0	\$ 6.76	\$ 33.79
2 Inch	8.0	\$ 6.76	\$ 54.06
3 Inch	16.0	\$ 6.76	\$ 108.12
4 Inch	25.0	\$ 6.76	\$ 168.94
6 Inch	50.0	\$ 6.76	\$ 337.88
8 Inch	80.0	\$ 6.76	\$ 540.82
10 Inch	115.0	\$ 6.76	\$ 777.13
12 Inch	215.0	\$ 6.76	\$ 1,452.90